

the assistance of the real estate broker.

(vi) To develop or enlarge the borrower's facility for purposes for which a loan of the same type involved could be made, if the development or enlargement is necessary to improve the borrower's debt-paying ability, place the operation on a more sound basis, or otherwise further the objectives of the FmHA or its successor agency under Public Law 103-354 loan. Any proposed development will be planned and performed according to subpart A of part 1924 of this chapter and funds to be used for development or enlargement will be handled according to subpart A of part 1902 of this chapter.

(vii) To purchase or acquire property to be used for purposes for which a loan of the same type involved is authorized, if the FmHA or its successor agency under Public Law 103-354 debt will be as well secured after the transaction as before. FmHA or its successor agency under Public Law 103-354 will obtain a lien on the acquired property, and will obtain title evidence according to subpart B of part 1927 of this chapter.

(viii) To pay any additional income tax which the borrower must pay for the year because of the capital gain or royalty tax attributable to the transactions. Funds for back taxes must be estimated and held in a supervised bank account until actual payment of the tax.

(8) FmHA or its successor agency under Public Law 103-354 liens are not released until receipt of the appropriate sales proceeds for application on the Government's claim.

(d) *Releasing security.* Security for FmHA or its successor agency under Public Law 103-354 loans addressed in this subpart will be released according to applicable program regulations and as follows:

(1) Borrowers will be held strictly accountable to the FmHA or its successor agency under Public Law 103-354 for all proceeds derived from the sale of mortgaged property which the FmHA or its successor agency under Public Law 103-354 is entitled to receive under its lien.

(2) Consent to disposition of part, or an interest in, security property as authorized in this subpart may be given

by approving a completed Form FmHA or its successor agency under Public Law 103-354 465-1 or other forms approved by OGC or prescribed in State Supplements. Upon request for consent, the District Director will forward Form FmHA or its successor agency under Public Law 103-354 465-1, the borrower's case folder, and any other pertinent information to the State Director.

(i) Chattel security may be released from a chattel mortgage by use of Form FmHA or its successor agency under Public Law 103-354 460-1, "Partial Release," or other approved form, and from a security interest under the Uniform Commercial Code by use of Form FmHA or its successor agency under Public Law 103-354 462-12, "Statements of Continuation, Partial Release, Assignment, Etc." Satisfaction or termination of chattel security instruments will be accomplished following the guidance of subpart A of part 1962 of this chapter.

(ii) Real estate security may be released by use of Form FmHA or its successor agency under Public Law 103-354 460-1 or other form approved by OGC. Satisfaction or termination of real estate security instruments when the FmHA or its successor agency under Public Law 103-354 debt has been paid in full or satisfied by debt settlement action will be accomplished with the use of Form FmHA or its successor agency under Public Law 103-354 460-4, "Satisfaction."

(iii) Any consent which would result in the FmHA or its successor agency under Public Law 103-354 loan account being paid in full will be subject to the prepayment provisions of § 1965.90 of this subpart and subpart E of this part as applied to RRH, RCH, and LH loans.

[49 FR 49590, Dec. 21, 1984, as amended at 56 FR 67484, Dec. 31, 1991; 58 FR 38930, July 21, 1993]

#### § 1965.78 [Reserved]

#### § 1965.79 Subordination.

(a) *General policies.* The State Director is authorized to approve requests for subordination of LH, RRH or RCH loans according to this section, if the total debt against the security after the transaction does not exceed the